International Seabed Authority ISBA/8/A/7/Rev.1–ISBA/8/C/3/Rev.1

Assembly Council

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Proposed budget of the International Seabed Authority for the financial period 2003-2004

Report of the Finance Committee

1. During the eighth session of the International Seabed Authority, the Finance Committee held four meetings on 6 and 8 August 2002. The Committee re-elected Domenico da Empoli (Italy) as its Chairman.

2. The Committee examined the proposed budget of the International Seabed Authority for the two-year financial period 2003-2004 (ISBA/8/A/6-ISBA/8/C/2) in the amount of US$ 10,509,700. The Committee considered the proposed budget against the audited financial statements of the Authority for 2000 and 2001. In accordance with regulation 6.3 of the Financial Regulations of the Authority, the contributions of the members of the Authority in 2003 and 2004 shall be assessed on the basis of half of the appropriations approved by the Assembly for that two-year financial period. The contributions of the members of the Authority to the administrative budgets in 2003 and 2004 will therefore be $5,254,850 in both 2003 and 2004, except as adjusted in accordance with regulations 6.3 (a)-(d).

3. The Committee decided to recommend the approval of the proposed budget for the financial period 2003 to 2004 in the amount of $10,509,700 (annex I).

4. The Committee decided not to recommend that the Secretary-General be authorized to use the accumulated surplus from the previous financial period to make up the shortfall in the Working Capital Fund. Instead, the full amount of the accumulated surplus would be used to reduce the amount of the assessed contributions (annex II).

5. The Committee considered that the line in the budget for "contingency" should be suppressed, since emergencies were to be covered from the Working Capital Fund. The equivalent sum should be incorporated in other budget lines.

6. The Committee decided to recommend that for each year, 2003 and 2004, the Secretary-General be authorized to transfer between appropriation sections up to 30 per cent of the amount in each section.

7. The Committee recognized that, with the organizational stage being completed, the budget had currently reached its operational level for substantive work. In that connection, the Committee noted with appreciation that the proposed budget was oriented to workshops and seminars, which fulfilled the basic objectives of the Authority. The Secretary-General informed the Committee that he intended to adopt a topic for the workshop to be held in 2004 different from that in document ISBA/8/A/6-ISBA/8/C/2, giving priority to following up current work relating to the mineral resources of the area.

8. Also in that connection, there was a need to review the present pattern of meetings in order to

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reflect the emphasis on substantive work. More time might need to be allocated to the Legal and Technical Commission. It was also important for meetings of the Assembly to be arranged so as to ensure the presence of a quorum.

9. The Committee had no objection to the Secretary-General's proposal to reclassify certain posts within the existing budget, subject to review by the members of the Finance Committee, where that was necessary to attract appropriate candidates for 2003-2004.

10. The Finance Committee noted with concern that, as at 30 June 2002, 46 members of the Authority were in arrears of contributions for a period exceeding two years and that, in addition, assessed contributions of $1,206,164 remained outstanding from four former provisional members (see ISBA/8/A/5, paras. 26-27). The Committee recommends that the Assembly address an appeal to members as well as to the former provisional members that have not yet paid their contributions.

11. The Committee requested the Secretary-General to base future proposed budgets on agreed programmes as far as possible, in accordance with the Financial Regulations. The Committee also requested the Secretary-General to transmit additional information to the members of the Committee when circulating the initial draft budget document, with cross-references to the report of the Secretary-General. In particular, they requested that a list of personnel and vacancies, and a document indicating financial performance as well as the auditors' report, should be included.

Scale of assessments

12. The Committee recommends that, in line with article 160(2)(e) of the United Nations Convention on the Law of the Sea, the scale of assessments of contributions to the administrative budget for 2003 and 2004 be based on the scale of assessments to the regular budget of the United Nations for 2002 and 2003, respectively. While certain concerns were expressed, the Committee recommends that in the light of the changes in the scale of assessments for the United Nations regular budget, the ceiling be set at 22 per cent. The Committee further recommends that the floor be maintained at the same level as in 2001 and 2002. Thus, no member should contribute more than 22 per cent or less than 0.01 per cent of the budget of the Authority. The Committee noted that, notwithstanding the reduction in the ceiling, the actual contributions to be made by all members would be significantly lower in the new biennium. With respect to the agreed contribution of the European Community, the Committee recognized that its contributions would be reviewed and determined from time to time by the Authority, taking into consideration the total amount of the budget. In that regard, the Committee recommended that the contribution for 2003 and 2004 should remain the same as in 2001 and 2002.

13. The Committee recommends that Luxembourg and Maldives, which became members of the Authority in 2000, Bangladesh, Madagascar and Yugoslavia, which became members in 2001, and Hungary, which became a member in 2002, contribute the following prorated amounts towards the administrative budget of the Authority in 2002:

Luxembourg	11 441.00
Maldives	1 100.00
Bangladesh	200.00
Madagascar	160.00
Yugoslavia	1 438.00
Hungary	6 901.00

and that they advance the following prorated amounts to the Working Capital Fund:

Luxembourg	17.00
Maldives	3.00
Bangladesh	5.00
Madagascar	3.00
Yugoslavia	52.00
Hungary	115.00

In accordance with Financial Regulation 7.1, these amounts shall be credited as miscellaneous income.

Audit for 2000 and 2001

14. The Committee considered the reports of the auditors for the years 2000 and 2001. The Committee regretted that the audit reports were not fully satisfactory in regard to form or in terms of clarity, in particular in the way that unpaid contributions were reflected as assets without clear explanations. The auditors were requested to comply fully with the

Financial Regulations of the Authority (including the annex) in future reports. The Committee requests that future reports should be sent to its members before the end of April.

Appointment of auditors for 2002 and 2003

15. The Committee recommends that KPMG Peat Marwick be reappointed as auditors for a further year (2002), with the possibility of extension for one further year thereafter (2003), on the understanding that they will comply fully with the recommendations in paragraph 14 above and with the Financial Regulations of the Authority.

Supplementary agreement

16. The Committee recalls its recommendations relating to the Headquarters of the International Seabed Authority contained in paragraph 17 of document ISBA/5/A/8-ISBA/5/C/7, in particular its recommendation "that the Secretary-General pursue his negotiations with the host country, based on the most complete information available, in order to secure the best terms for the maintenance of the premises of the Authority". The Committee noted with regret that it had still not proved possible to reach agreement with the Government of Jamaica on the supplementary agreement (regarding the Headquarters of the Authority and the use of the Conference Centre), and expressed the hope that the two sides would reach an agreement acceptable to the Authority within the shortest time. The Committee requested the Secretary-General to report on the negotiations as soon as possible and in any event by the end of October 2002. Provided that the supplementary agreement leads to a significant reduction in the cost of the premises, the budget shall be adjusted accordingly.

Conditions of service of the Secretary-General

17. The Committee recommends that a study be made on the terms of service of the Secretary-General, including pension arrangements.

Trust fund

18. The Committee noted that the establishment of a voluntary trust fund to cover the travel expenses of members of the Legal and Technical Commission coming from developing countries would be kept under review in the light of further information to be provided by the Secretary-General. That review should also apply to members of the Finance Committee coming from developing countries.

Recommendations of the Finance Committee

19. In the light of the foregoing, the Committee recommends that the Council and Assembly:

(a) Approve the budget for the financial period 2003 and 2004 in the amount of US$ 10,509,700, as proposed by the Secretary-General;

(b) Authorize the Secretary-General to establish the scale of assessments for 2003 and 2004 based on the scale used for the regular budget of the United Nations for 2002 and 2003, as adjusted by the Authority, respectively, taking into account that the maximum assessment rate for the budget of the Authority for 2003 and 2004 will be 22 per cent;

(c) Request the Secretary-General to transfer the accumulated surplus from the previous financial period to reduce the amount of assessed contributions for 2003 and 2004 (annex II);

(d) Request the members of the Authority to pay their assessed contributions to the budget for 2003, on time and in full, no later than 1 January 2003;

(e) Request the members of the Authority to pay their assessed contributions to the budget for 2004, on time and in full, no later than 1 January 2004.

20. The Committee also recommends that the Council and the Assembly request the Secretary-General to adjust the budget by an appropriate amount once the supplementary agreement is concluded.

Annex I

International Seabed Authority

Summary of budgetary requirements for the period from 1 January 2003 to 31 December 2004

(In thousands of United States dollars)

		Total 2001-2002	*2003*	*2004*	*Total 2003-2004*
Part I — Administrative expenses of the Secretariat					
Section 1	Established posts	4 496.9	2 341.2	2 390.4	4 731.6
	General temporary assistance	56.0	27.6	28.2	55.8
	Overtime	45.5	22.4	22.9	45.3
	Consultants	151.2	80.0	100.0	180.0
	Promotion and encouragement of the conduct of marine scientific research	0.0	50.0	51.1	101.1
	Ad hoc expert groups	383.7	200.0	200.0	400.0
	Central data repository	121.8	45.0	35.0	80.0
	News Digest on seabed and ocean floor policy development	50.8	25.0	25.8	50.8
	Common staff costs	1 834.4	934.2	953.8	1 888.0
	Staff assessment	1 113.9	666.9	680.9	1 347.8
	Staff assessment — credit	-1 113.9	-666.9	-680.9	-1 347.8
	Subtotal, section 1	**7 140.3**	**3 725.4**	**3 807.2**	**7 532.6**
Section 2	Official travel	178.6	110.9	121.1	232.0
	Subtotal, section 2	**178.6**	**110.9**	**121.1**	**232.0**
Section 3	Communications	140.7	72.0	73.5	145.5
	External printing	128.9	63.1	65.4	128.5
	Training	66.4	25.8	26.3	52.1
	Library books	107.6	54.0	55.1	109.1
	Official hospitality	22.1	10.9	11.1	22.0
	Acquisition of furniture and equipment	170.5	33.0	33.7	66.7
	Rental and maintenance of furniture and equipment	66.8	23.4	24.3	47.7
	Supplies and materials	118.0	47.8	49.5	97.3
	Miscellaneous services	95.0	43.8	45.4	89.2
	Information technology (migration to Windows XP Internet services, software licences and maintenance)[a]	83.0	138.5	80.9	219.4
	Audit fees	32.5	16.5	18.0	34.5
	Subtotal, section 3	**1 031.5**	**528.8**	**483.2**	**1 012.0**

	Total 2001-2002	*2003*	*2004*	*Total 2003-2004*
Section 4 Building management	579.0	305.8	312.2	618.0
Subtotal, section 4	**579.0**	**305.8**	**312.2**	**618.0**
Total, Part 1	**8 929.4**	**4 670.9**	**4 723.7**	**9 394.6**
Part 2 — Conference-servicing costs of the Authority				
Conference services	1 577.0	551.0	564.1	1 115.1
Total, Part 2	**1 577.0**	**551.0**	**564.1**	**1 115.1**
Total administrative budget	**10 506.4**	**5 221.9**	**5 287.8**	**10 509.7**

[a] Previously classified as "data-processing services".

Annex II

International Seabed Authority

Financing of the budgetary requirements for the financial period from 1 January 2003 to 31 December 2004

Application of previous years' savings to reduce assessed contribution

(United States dollars)

Total administrative budget	10 509 700
Less: savings from previous year	1 695 000
Total, net requirements	8 814 700

Note: In accordance with financial regulation 6.3, members of the Authority will be assessed on the basis of half of $8,814,700, i.e., $4,407,350, for each of the two years.